

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**COLUMBIA, SOUTH CAROLINA**
[*Hearing held in Fort Mill, SC*]**HEARING #10793****JULY 11, 2006****6:30 P.M.**

DOCKET NO. 2006-97-WS: TEGA CAY WATER SERVICE, INCORPORATED — Application for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service.

HEARING BEFORE: Randy MITCHELL, CHAIRMAN, G. O’Neal HAMILTON, VICE CHAIRMAN; and COMMISSIONERS John E. “Butch” HOWARD, David A. WRIGHT, Elizabeth B. “Lib” FLEMING, and Mignon L. CLYBURN, AND C. Robert MOSELEY.
ADVISOR TO COMMISSION: Josh Minges, Esq.

STAFF: Charles L.A. Terreni, Chief Clerk/Administrator; and Jocelyn G. Boyd, Esq., Deputy Clerk; James B. Spearman, PhD., Executive Assistant to Commissioners; Philip Riley and Tom Ellison, Advisory Staff; MaryJane Cooper, Court Reporter, and Patty Sands, Administrative Coordinator.

APPEARANCES: John M.S. Hoefer, Esq., representing TEGA CAY WATER SERVICE, INCORPORATED, **APPLICANT**.
Jeffrey Nelson, Esq., and Wendy Cartledge, representing **THE OFFICE OF REGULATORY STAFF**.

TRANSCRIPT OF TESTIMONY AND PROCEEDINGS
VOLUME 1 OF 1

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

101 Executive Center Drive, Columbia SC 29210

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1 CHAIRMAN MITCHELL: On behalf of the South
2 Carolina Public Service Commission, we certainly welcome
3 you out tonight. We've come up here to listen to you; we
4 certainly want you to feel free to tell us anything you'd like
5 to tell us; we're here on your time, don't feel rushed in any
6 manner, and we don't ever intend on doing that.

7 First, I'd like to introduce the Commission Members
8 that are present. We have, starting on my far right, Com-
9 missioner Fleming, Commissioner Clyburn, Commissioner
10 Hamilton; on my far left, Commissioner Wright, and
11 Commissioner Moseley. And we have Josh Minges here
12 as our Chief Legal Counsel, and I'm going to let him go
13 into a little description of actually what's going to transpire
14 tonight and the legality of certain aspects of this hearing.

15 MR. MINGES: Tonight's hearing is for Docket No.
16 2006-97-WS concerning Tega Cay Water Service's
17 application for a rate increase.

18 I'd like to take this opportunity to introduce the
19 Commission Staff, if you folks would raise your hands.

20 And the Office of Regulatory Staff, if you folks
21 would just raise your hands. The Office of Regulatory
22 Staff represents the public, so any questions that you
23 might have, either during or after this proceeding, can be
24 directed towards them.

25 And Mr. John Hoefer, who represents Tega Cay

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1 Water Service.

2 In a moment I'm going to be calling the names of
3 those who have signed up to testify. Once I call your
4 name, come up to the podium, you're going to be sworn
5 in, give your name and address, and then everything that
6 you say will be put into the record. After you're finished
7 please stay at the podium a moment for any questions
8 that the Commissioners might have or that Tega Cay
9 Water Service might have.

10 And as a final matter, if you speak as a public
11 witness tonight, you will not be permitted to speak during
12 the merits hearing held on August 22nd in the Commission's
13 hearing room, and that's located at 101 Executive Center
14 Drive, in Columbia. Directions can be found on the PSC's
15 website — that's www.psc.sc.gov.

16 Thank you.

17 CHAIRMAN MITCHELL: The only other thing I'd
18 like to add to what Josh said — we have some members
19 seated up front by Mr. Hoefer; they are the Office of
20 Regulatory Staff to his left. What we want to tell you is,
21 certainly if you have any questions about anything that is
22 said as we go through the hearing, they're going to be
23 here for awhile after the meeting; you can feel free to ask
24 them any question that you might have on your mind
25 pertaining to this meeting.

1 At this time, we're going to call the first witness,
2 and if you'd do that for us.

3 MR. MINGES: Thank you. Can Kay Conner come
4 up, please.

5 MR. HOEFER: Mr. Chairman?

6 CHAIRMAN MITCHELL: Yes, Mr. Hoefer?

7 MR. HOEFER: May it please the Commission, at
8 this time I'd like to state for the record the objection that's
9 been given in some prior proceedings.

10 The applicant would like to state its objection to
11 testimony consisting of unsubstantiated complaints
12 regarding customer service, quality of service, or customer
13 relations issues. The basis for this objection is the receipt
14 and reliance on such testimony would deny the applicant
15 due process of law, permit complaint procedures estab-
16 lished under law and Commission Regulations or the
17 determination of such matters to be circumvented, and is
18 an inappropriate basis for the determination of just and
19 reasonable rates.

20 In support of this objection, applicant would cite
21 *Patton v. Public Service Commission*, 312 SE^d, 257, and
22 Order of the Court of Common Pleas in the *Tega Cay*
23 *Water Service v. PSC*, Civil Action No. 97-CP-40-0923, and
24 Commission Order No. 1999-191, Docket No. 96-137-WS,
25 which was a March 16, 1999, Order.

1 The applicant would request that this objection to
2 be deemed a continuing objection such that there would
3 not be a need for repeated objections each time a
4 customer testifies to such matters, and cites in support of
5 that request *State v. Douglas*, 626 SE^d, 59. The objection
6 applies to documents and testimony elicited under
7 examination.

8 The applicant also requests that the Chairman
9 defer ruling on the continuing objection until a final Order
10 is issued in this case.

11 CHAIRMAN MITCHELL: Mr. Nelson, any
12 response?

13 MR. NELSON: Yes, Mr. Chairman, we would
14 respond briefly. First of all, let me introduce myself to the
15 audience. I'm Jeff Nelson, representing the Office of
16 Regulatory Staff, and this is Wendy Cartledge, she's with
17 me today.

18 [*Short Pause — microphone adjustment*]

19 MR. NELSON: Mr. Chairman, the ORS does not
20 oppose the company's objections to be regarded as
21 continuing or recurring; however, we do not believe that a
22 complaint by a customer of the system needs to be
23 corroborated or substantiated in any way for the Com-
24 mission to hear such a complaint. We believe that the
25 testimony to which the company objects is admissible for

1 the purposes of this night hearing, in particular, as such
2 comments may address the company's quality of service.

3 We do recognize the legal authorities cited by the
4 company and do not believe that they fully support the
5 grounds for the objection, although the cases cited do
6 provide neither the rates of the utilities nor unsubstantiated
7 complaints may be the basis for the Commission to
8 establish as an operating margin for the company. We
9 believe that these comments by the public are permissible
10 and may provide the Commission with relevant infor-
11 mation concerning the company's practices and quality
12 of service.

13 We ask that the Commission take notice of the
14 ORS' position on this issue. Further, the ORS asks that
15 within a reasonable time after this night hearing that the
16 company submit a letter to the Commission to be posted
17 on the Commission's website setting forth the specific
18 portions of the testimony given tonight that the company
19 objects to under its continuing objection, the reason for
20 the company's objection, and the identity of the speaker.
21 This letter would therefore allow those who took the time
22 to come and speak at the hearing this evening to see
23 whether any portions of their testimony is objected to by
24 the company. We believe this is fair and reasonable to
25 everyone involved, and are hopeful that the company will

1 consider consent to this request.

2 MR. HOEFER: The company would consider that
3 request, Mr. Chairman.

4 CHAIRMAN MITCHELL: And the Commission
5 feels that we should move forward with this hearing; we
6 have the good people who have come here to testify, and
7 we'll hold ruling on it in the final Order.

8 MR. HOEFER: Thank you, Mr. Chairman.

9 CHAIRMAN MITCHELL: Thank you. Thank you,
10 both. Please, Ms. Boyd.

11 **WHEREUPON, Kay Conner,** first being duly
12 sworn, assumes the stand and testifies as follows:

13 **TESTIMONY OF KAY CONNER:**

14 A My name is Kay Conner, and I live at 8040 Windjammer Drive, here in Tega
15 Cay.

16 First of all, I'd like to thank all of you for coming to listen to all of us in
17 Tega Cay, and I'm sure you know I'm not happy to hear about the rate increase. I
18 just think it's very excessive — the 22 to 24 percent increase is very excessive,
19 and I don't understand why it needs to be that high.

20 As far as our service, I know I've had low water pressure recently, and
21 just last year we were dealing with a problem. Right in front of our house a
22 water break, or a pipe broke, and they had to dig approximately six to seven
23 feet underneath to reach that pipe, and when they left that area, they left it
24 with no safety warnings for traffic or anything. My husband and I had to go to
25 the Police Department and get an orange cone to put in the highway so the

1 traffic would not run into the hole.

2 And basically I'm just very upset at the increase that's being asked for;
3 it's 22 to 24 percent for both water and sewage.

4 CHAIRMAN MITCHELL: Thank you, ma'am. Do
5 we have any questions? Commissioner Clyburn, please.

6 **EXAMINATION BY COMMISSIONER CLYBURN:**

7 Q Good afternoon, Ms. Conner. I meant to ask you — you made mention that
8 as of late you've been experiencing low water pressure. Can you tell me in
9 terms of how long ago?

10 A I think it's been within the last two months, and it lasted for about one month.

11 Q And this occurrence, did you report it to the company?

12 A No, I understood that it was a problem for everyone, so, no, I didn't report it.

13 Q Okay. And in terms of your experiences with United, or with the company, as
14 it relates to your residence on Windjammer, how long have you been at that
15 location?

16 A Nine years.

17 Q Thank you.

18 CHAIRMAN MITCHELL: Do we have any other
19 questions?

20 [No Response]

21 CHAIRMAN MITCHELL: Have any questions of
22 the other parties?

23 [No Response]

24 CHAIRMAN MITCHELL: Thank you very much. If
25 you'll call the next witness, please.

1 MR. MINGES: Can Stephen Johnson come up,
2 please?

3 **WHEREUPON, Stephen Johnson,** first being
4 duly sworn, assumes the stand and testifies as follows:

5 **TESTIMONY OF STEPHEN JOHNSON:**

6 A Stephen Johnson, 4002 Windward Drive, Tega Cay.

7 I'd like to give a review of sewage spills here in York County and Tega Cay
8 for the last eighteen months, as reported to DHEC. I obtained copies of the
9 spills from the Freedom of Information Office. That's a big stack — I'm not
10 going to talk that much.

11 [Laughter]

12 A This audit, going back to 2000 — I'm just talking about the last eighteen months,
13 in that time, over in York County as a whole, there were five spills, all related
14 to mechanical or electrical problems dealing with the big pump stations coming
15 down that force main on the other side of the lake — when they have a big
16 one, they have a big one — they had five over there in that eighteen months.
17 Fort Mill, in this timeframe, had none. Their last spill was in 2003, and that was
18 when a contractor broke a main line — [INAUDIBLE].

19 In Tega Cay, in these eighteen months, there were thirteen spills — one in
20 York County — [INAUDIBLE]. Eighteen spills in eighteen months, all flowing into
21 Lake Wylie, every one going into the water. Ten were blamed on blockages
22 in the system, either roots or grease. One was due to electrical failure, and
23 two were liftstation malfunctions. And this similarly goes back to 2004; 2003,
24 there were five or six spills each year, the same kind of pattern. So this is
25 nothing new.

1 This doesn't include a report like a neighbor across the street from me
2 had sewage back up into the bottom level of their split-level house, about four
3 inches of sewage in the whole house. That had to be repaired, you know, the
4 whole house gutted and that kind of stuff. That isn't even included by DHEC,
5 I suppose because it wasn't a public spill. If there are more of those around
6 town, I don't know, it wasn't in the DHEC report on this page, anyway, it wasn't
7 there. Obviously, Tega Cay has an old system that is in trouble.

8 Liftstations are antique — not the new ones in the new part of town, but the
9 old ones. I liken them to toilet tanks — big tank, float valve. If it gets high
10 enough, an electric pump comes on, kicks out the sewage. If it's too high, a
11 little red light flashes and a — [INAUDIBLE]. Hopefully, there's a neighbor who
12 hears it. That's the warning system. If the electric is off, no warning. A couple of
13 months or so ago, quite a few of us got phone calls because there was a major
14 electric power fault — no fault of Carolina Water, but the main line coming into
15 Tega Cay, the power line broke down. I didn't know the City was equipped to
16 have this telephone marathon, but a lot of us got phone calls — *don't use*
17 *your system because there's nothing to pump that sewer out going downhill.*
18 And somebody was running around getting power generators for all the
19 liftstations, and we didn't have any spill.

20 But that's the kind of precarious situation we're in. Depending on
21 electricity in the alarm system — [INAUDIBLE] — the neighbors may not have
22 electricity; I hope they have enough sense to realize that if I'm living near a
23 liftstation and I don't have power, that means there's no power in the pump-
24 station, somebody had better phone the City. That's the kind of antique
25 system they've got here.

1 Now, if some of this new money were going into replacing liftstations with new
2 ones with gas-powered back-ups, I can see them raising rates, but to simply
3 maintain an antique system, I don't see that.

4 Moving on to the blockages — the drain lines are obviously breaking
5 down due to root invasions and to reported grease. I don't know why Tega
6 Cay has more grease than everybody else around. None of the other towns
7 around here have grease blockages, but we do, okay. Accepting that as a
8 given, why haven't we ever heard anything about it? Why isn't there a little bit
9 of education going out about *don't put grease down your garbage disposal*. It
10 isn't that they don't have a method — we get a bill every month, it's not hard
11 to put an insert in there — but no effort to educate the public *don't put grease*
12 *down your system*, or where to put it. I think that's just really silly.

13 Root invasions — they say a lot of the lines need replacing. Are we
14 paying just to roto-root the systems out? Is that what the rate is for, or are we
15 replacing sewer lines that are breaking down? I admit we may have a decrepit
16 system, but should we have an increase in rates simply to give a good rate of
17 return on a system whose value is going down and down? It seems sensible
18 to hold the rates down so that the artificial value of the system goes down so
19 the Town or somebody can afford to buy the thing and rebuild it. I don't see
20 any reason for rewarding the deteriorating, depreciating system with a high
21 rate of return, you know, so that it becomes too expensive for anybody to buy
22 or anybody to do anything with.

23 Lastly, I would raise a public health and safety concern — [INAUDIBLE] — in
24 all of these reports, there's a question, did wastewater enter a stream or body
25 of water? In every case, yes. Were downstream water in-takers notified? In

1 every case, *no*. I can understand that — [INAUDIBLE] — the water intake is on
2 the other side of the lake, so it wouldn't be necessary for a spill here to notify
3 the water intake over there. The problem is, this whole shore line is for
4 recreational use, and there's no line on the form for DHEC to notify any of
5 these spills going into the water, which people swim in, boat in. This is shore
6 line of a recreational community. All of these spills are endangering public
7 health — fecal coliform in the water where people are playing, swimming,
8 boating, all of that. None of these things are reported. And Carolina Water
9 doesn't have to report it; it is a public health issue, a safety issue for the
10 community.

11 Thank you.

12 CHAIRMAN MITCHELL: Thank you, sir. Do we
13 have any questions?

14 [No Response]

15 CHAIRMAN MITCHELL: Questions from the parties?

16 MR. HOEFER: No, Mr. Chairman.

17 CHAIRMAN MITCHELL: Thank you, sir. Would
18 you like to file those as an Exhibit? You can do that with
19 Ms. Boyd, and if you would, we would put them into evidence.

20 A Okay.

21 CHAIRMAN MITCHELL: We'll list that as Hearing
22 Exhibit #1 and put it into the evidence of this case tonight.

23 [HEARING EXHIBIT #1 ACCEPTED INTO
24 EVIDENCE]

25 Next, if you would.

1 MR. MINGES: Mary Jane Myers.

2 **WHEREUPON, MaryJane Myers,** first being duly
3 sworn, assumes the stand and testifies as follows:

4 **TESTIMONY OF MARY JANE MYERS:**

5 A Mary Jane Myers, 4159 Koala Circle. I've prepared a little written statement
6 here.

7 I object to the recent Tega Cay Water Service request to increase water
8 and sewer charges. The *Rock Hill Herald* has reported that Tega Cay has the
9 most expensive water rates in the state, and Tega Cay Water Service wants
10 to raise it even higher. Their proposed residential water increases are too
11 high. They're proposing a .53¢, or 7%, increase on basic facility charges and
12 a 38¢, or 23%, increase per 1,000 gallons of water.

13 Their proposed sewer increase is ridiculous. They propose an increase of
14 \$7.24 per month, which is a 24% increase. I adamantly oppose this based on
15 the fact that they bill a standard, flat rate sewer charge for all of their customers.
16 That is unfair. I am a single, one-person household and I must pay the same
17 as the five-person household that lives across the street from me. I feel that
18 sewer charges should be based on the amount of water used. I'm being over-
19 charged every month because I must pay the same as larger households.

20 Service is poor. We've had numerous water pressure problems. Their
21 billing is inconsistent; most recent billings range from 24 to 39 days for meter
22 readings. Speaking of meter readings, there really is a problem in that area.
23 They've had numerous problems with meter readings being inaccurate. In
24 November of 2004, they billed me for 4,890 gallons of water for a one-person
25 household. In the two previous months, I had been billed for 1,810 and 2,180

1 gallons, respectively. I checked my meter 19 days after that November read
2 date and, of course, the meter was still off — still 1,700 gallons too high 19
3 days later. Needless to say, my meter had not been read and some bogus
4 number was used for my billing. I called five other people in various areas of
5 Tega Cay, and their readings were off, as they checked their meters too. My
6 bill was adjusted. Tega Cay Water Service chose to just let the others adjust
7 on the next billing, which they assured me, would be correctly read.

8 There's been a recent problem again with incorrect meter readings. My
9 sister recently received a \$300+ water bill which was determined to be a
10 several-month meter reading problem on her home. This is not '*adequate*
11 *service to customers*' as a Tega Cay Water Service representative was quoted in
12 the recent *Rock Hill Herald* article on July 9 of 2006.

13 If my water and sewer charges go up as proposed, I will be paying
14 approximately 72% of my electric bill, and that electric bill keeps me with power,
15 heating, and air-conditioning one hundred percent of the time. I don't think
16 this increase is fair, and I certainly do not feel it should be passed.

17 CHAIRMAN MITCHELL: Thank you, ma'am. Do
18 we have any questions? Commissioner Clyburn.

19 **EXAMINATION BY COMMISSIONER CLYBURN:**

20 Q Is it Myers?

21 A Myers. M-y-e-r-s.

22 Q Okay. You mentioned the inaccuracy in terms of the meter reading, and you
23 contacted the company and I think you said they made adjustments. Can you
24 tell me, have you had any issues as it relates to service?

25 A Well, water pressure problems that we've all experienced recently over the last

1 couple of months, as mentioned by Ms. Conner. Sometimes I feel like the
2 product quality of the water is not good; sometimes it looks cloudy — not that
3 I have recorded it because maybe the next day it clears up. But the water
4 pressure continues to be a real problem.

5 Q And again, you mentioned, in terms of that two months, this is not the first time
6 you've had water pressure issues?

7 A No.

8 Q If you had to hazard a guess in terms of frequency, how often does that
9 happen?

10 A I really don't know that, I did not record it. Just the documentation on the
11 billing problems and say the lack of consistency in billing.

12 Q Can you tell me, in terms of — how long, I don't remember — did you give us
13 your address?

14 A 4159 Koala Circle. K-o-a-l-a.

15 Q Okay. How long have you gotten your water from them?

16 A Six and a half years.

17 Q Thank you.

18 **EXAMINATION BY CHAIRMAN MITCHELL:**

19 Q Yes, ma'am. Could you document specifically the number of times that your
20 meter was misread? Was it one time or two times?

21 A One time that I'm aware of, I noticed because my bill went up \$12.00. Now,
22 that doesn't seem much, but my bill is very consistent. I can document that
23 and have a copy of the actual bill and all my notations on there, that I'm sure
24 we can give you a copy of, if you'd like.

25 Q So that was the one time?

1 A Right.

2 Q One time, right.

3 A But it's hard to tell because they're inconsistent with the number of days in a
4 billing period. As I said, it can go from 24 to 39 days; in fact, the last two months,
5 that's what it has been. My May bill was for 24 days; the month before, it was
6 39 days.

7 Q Are there other inconsistencies throughout the year, or is that the only one
8 that you've noticed was for that timeframe?

9 A This bill — we'll just go by due date — May 28, it was 24 days; due date
10 April 30, it was 39 days; due date March 28, it was 28 days; due date
11 February 27, it was 37-day period; January 30 it was a 25-day period —
12 32 days, 26 days, 33 days. Do you want me to go on?

13 [Laughter]

14 Q I think you've documented it.

15 CHAIRMAN MITCHELL: Do we have any other
16 questions?

17 COMMISSIONER MOSELEY: Yes, I have one.

18 CHAIRMAN MITCHELL: Mr. Moseley.

19 **EXAMINATION BY COMMISSIONER MOSELEY:**

20 Q How long from the time you called to report the bill, did you get a human
21 being on the phone, did you get an answering phone and did they call you
22 back immediately?

23 A I did, I have to say I got a fairly good response from the girl. Unfortunately,
24 she was going through some sort of a sickness or something like that; but, yes, I
25 did get a fairly decent response when I called, and it turns out that I think they

1 were aware that the meter just wasn't being read.

2 Q Thank you, ma'am.

3 CHAIRMAN MITCHELL: Any other questions?

4 Any questions?

5 MR. HOEFER: No questions, Mr. Chairman.

6 MS. MYERS: [*Indicating*] Do you want a copy of
7 this?

8 CHAIRMAN MITCHELL: Yes, ma'am, if you'd
9 supply that to Ms. Boyd. Do you have the different billing
10 dates there where you could document that? The billing
11 dates that you were calling out there, do you have
12 document of those timeframes? We'd like to have them.

13 MS. MYERS: Do you want the bills?

14 CHAIRMAN MITCHELL: Copies will be fine.

15 MS. MYERS: How far back do you want them?

16 CHAIRMAN MITCHELL: Whatever you'd like to
17 supply. Thank you.

18 [HEARING EXHIBIT #2 ACCEPTED INTO
19 EVIDENCE]

20 I notice that Representative Ralph Norman has
21 come in; we're certainly glad to have Representative Norman
22 with us. He represents this area well in Columbia.

23 Representative Norman, did you have anything you'd like
24 to say at this time?

25 REPRESENTATIVE NORMAN: I don't want to get

1 in front of anybody. Let whoever's ahead of me go on.

2 CHAIRMAN MITCHELL: Okay, we can do that. If
3 you'll get the next person.

4 MR. MINGES: Sure. Donna Britsch, come forward,
5 please.

6 **WHEREUPON, Donna Britsch**, first being duly
7 sworn, assumes the stand and testifies as follows:

8 **TESTIMONY OF DONNA BRITSCH:**

9 A My name is Donna Britsch, 4163 Koala Circle, and I've lived here 18 years
10 this month.

11 I am opposed to the 24% increase as a resident here. Through the
12 years, the water quality has not been great at all times, and there have been
13 other times when it has been good. One of the issues in our neighborhood
14 seems to be we have some blackness and cloudiness in the water. Ms. Myers
15 lives down the street from me, and it's in the toilets and the glasses, it's not
16 always consistent. If you call, maybe they're doing something, maybe they're
17 not, I'm not sure. I know there is at least one time when I did call the Regulatory
18 Commission in regards to it, I felt like we weren't getting a response. Unfortunately,
19 the Regulatory Commission didn't respond to me, okay.

20 But we've had times, I know one of the gentlemen that works out here,
21 we see him around all the time, and he's very responsive in that area, but the
22 quality of the water — I feel like the people that live out in the newer sections
23 that have the water with Tega Cay water do have a lot nicer water. I mean,
24 we've got hard water and it seems like that's a huge increase.

25 I too would like to address the fact that the sewer charge — I'm a

1 single person, too. You pay \$30-some, whether you're home. I travel a lot. If
2 you're gone all month, you pay \$30-some for that sewer charge, which now
3 with the \$7 increase, will be even more. It's going up to \$40, whether you use
4 it or not. I guess if I had five kids up here, that would be an issue — I'd be
5 standing on the other side saying I've got a deal. So I'm not sure why that
6 was ever allowed to happen that way, but it's not something we would really
7 like to see increased as residents here.

8 I'm disappointed that there aren't more residents here, because I don't
9 think there's anybody in town that wants this increase, as far as that goes.

10 And now I would like to put on another hat — they told me I didn't have
11 to sign up twice — but I'm here representing Double Eagle Golf for Ralph Hughes
12 and Rusty White, they run the Tega Cay Golf Club, all right, and ironically part
13 of their water bills came in this afternoon, and it was over \$1600 in water bills
14 there. They do not water the golf course from paid water, that is just strictly in
15 the building facilities — the toilets. And they asked me to tell you that they did
16 not want to see these water rates increased either.

17 CHAIRMAN MITCHELL: Have we got any
18 questions?

19 VICE CHAIRMAN MOSELEY: I have one.

20 CHAIRMAN MITCHELL: Commissioner
21 Hamilton.

22 **EXAMINATION BY VICE CHAIRMAN MOSELEY: :**

23 Q Yes, ma'am. You said your sewer rate is a fixed rate and it's now \$30?

24 A Yes, I think it's \$32, actually, but it's a fixed rate.

25 FROM THE AUDIENCE: \$30.39.

1 A Okay. Plus, then, when you flush the water, it's the additional water. So I can
2 travel three weeks out of the month and I still pay that same rate, no matter if
3 I flush my toilet five times a month or flush it 150 times. Of course, when you
4 flush, then you're also using the water, so the sewer to flush a toilet is actually
5 more than that \$30.90-some, whatever she just quoted.

6 Q What is your average water bill?

7 A I am gone a lot, I do travel a lot, I am not home very often, I'm probably home
8 all total maybe, maybe, two weeks out of the month, okay. I do travel a lot,
9 I'm gone a lot, and my bill probably runs \$50 to \$60 a month.

10 Q Thank you, ma'am.

11 **EXAMINATION BY CHAIRMAN MITCHELL:**

12 Q I'm sure they'd like clarification on this also. You did mention you had called
13 the Office of Regulatory Staff and didn't get any response?

14 A Yes.

15 Q Do you have documentation of the date when you called, because generally
16 they try to respond.

17 A I didn't get a live person, okay, I got a recording.

18 Q You got a recording?

19 A Yes, sir.

20 Q You called Consumer Affairs and you got a recording?

21 A I think that's what it was. It was something that we did call and didn't get any
22 response, and that's probably been a couple of months ago, but it was a
23 recording. You don't get a live person on the number I have.

24 Q And you left your number?

25 A Yes, sir.

1 Q You don't remember what date that was?

2 A I don't know the exact date, no. I might be able to check at home, but I'm not
3 positive.

4 Q If you could get a date, I'm sure they'd like to respond because they try to
5 respond to consumers if they call, and if you could supply a date, I think they
6 would —

7 A Well, the black has cleared up. We had a lot of black in there, and so that did
8 clear up. I mean, I didn't bother to call them again at that time.

9 Q Okay.

10 CHAIRMAN MITCHELL: Any other questions?

11 **CROSS EXAMINATION BY MS. CARTLEDGE:**

12 Q And we would appreciate it if you could give us the phone number you called.

13 A Okay, if I have that. I won't guarantee it, but if I do, I certainly will.

14 Q Thank you.

15 CHAIRMAN MITCHELL: Thank you very much.

16 MR. MINGES: Bernard Klena.

17 **WHEREUPON, Bernard Klena**, first being duly
18 sworn, assumes the stand and testifies as follows:

19 **TESTIMONY OF BERNARD KLENA:**

20 A Bernard Klena, 5019 Tara Tea Drive. Thank you for allowing me to speak. I
21 don't really have too much to say other than I object wholly about the rate
22 increase that is proposed by Tega Cay Water Service or their parent company,
23 which is Utilities Incorporated.

24 As I understand it, they were granted a 21% increase for services in
25 York County in 2005, but when they were granted that, they also were issued

1 an order where they had to have an independent audit examining their
2 business practices, and as of this date — as a matter of fact, I spoke to one of
3 the gentlemen at the ORS whenever I came in — and they have not started
4 that audit; yet, they're requesting another rate increase. I mean, how often
5 does this go on? They want a 10 to 15% increase and haven't done anything
6 as far as the independent audit goes.

7 That's basically it. It's short and sweet. The water service that we get
8 here — I came from Baker City, I've lived in Tega Cay for six years — is
9 certainly lacking. The water supply that we had about a month ago was
10 nothing other than horrendous in the water pressure that came out of it. The
11 lady that is up here that represented the golf course failed to mention that
12 Tega Cay Water Service never notified them that they were painting the water
13 tower, and left the golf course and the club house and everything entirely
14 without any facilities whatsoever. As far as the City purchasing the golf course
15 and used by all the residents of Tega Cay, this really left them in a bad position as
16 far as servicing the public, and I think that lacked a little bit in Tega Cay's Water
17 Company's service.

18 Thank you.

19 **EXAMINATION BY CHAIRMAN MITCHELL:**

20 Q You made a statement there about an audit; could you tell us that again and
21 explain exactly what —

22 A Yes, sir. [*Indicating*] I pulled this off of some investigating I did on the web,
23 and the utilities requested and were granted 21% increase for services in York
24 County in 2005, and that's when the order was given for the independent audit to
25 go over their business practices.

1 Q We do have members of the Office of Regulatory Staff that are present, and
2 immediately after the meeting, I'm sure they'd be happy to talk with you about
3 that.

4 A Yes, sir. Well, when you said — I'm sorry, I've forgotten your last name — but
5 you did say that the audit commenced in the last day or so?

6 Q Yes, sir, you can speak with any member at the table after the meeting.

7 A Okay.

8 Q I just want you to ask clarification on it.

9 A I understand.

10 Q Thank you, sir.

11 A Thank you.

12 MR. MINGES: Mr. Klena, before you leave, can
13 you spell the name of the street that you live on? There's
14 a misspelling here.

15 A It's two words: T-a-r-a; the second word is like the drink, T-e-a.

16 MR. MINGES: Thank you.

17 A Thank you.

18 MR. MINGES: Linda Stephenson, please come
19 up.

20 **WHEREUPON, Linda Stevenson**, first being duly
21 sworn, assumes the stand and testifies as follows:

22 **TESTIMONY BY LINDA STEVENSON:**

23 A I'm Linda Stevenson. I live on Point Clear Drive — 3024. Tega Cay.

24 I'd like to share some pictures with you that I've taken, and I'll be happy to
25 give them to you for your records at the end of this. These pictures will show

1 that the Tega Cay Water Company does not appear to maintain their equipment in
2 a manner that would prevent sewage spills into Lake Wylie. Although there is
3 a light and siren warning device attached to the station on Point Clear Drive to
4 warn of potential problems at this liftstation, it was not functioning on the day
5 that these pictures were taken a few months ago. Also, the water company
6 recently installed devices to all the stations that would cause the alarm to go off
7 at the company so that they could respond promptly, as opposed to waiting on
8 citizens to call them. These pictures were taken in the morning, and obviously the
9 sewage has been running into the Lake for some time in order to cause these
10 erosion ruts that you will see in the pictures.

11 I'm concerned as to whether the Tega Cay Water Company is
12 interested in taking care of their customers and the environment around Lake
13 Wylie, or in sending money to their parent company. When I was young, my
14 mother taught me that an ounce of prevention was worth a pound of cure; and
15 I think that's still true today. Therefore, I request that you not give this rate
16 increase to this company.

17 Thank you.

18 CHAIRMAN MITCHELL: Thank you, ma'am. Do
19 we have any questions?

20 *[No Response]*

21 CHAIRMAN MITCHELL: Seeing none, thank you
22 very much.

23 Ma'am, would you like to have those pictures
24 made part of the record so that we can make them an
25 Exhibit and be part of this record?

1 A Yes, that's fine.

2 CHAIRMAN MITCHELL: We will do that. Without
3 objection, we'll do that, and they'll be Hearing Exhibit #3
4 and entered into the evidence of this case.

5 [HEARING EXHIBIT #3 ACCEPTED INTO
6 EVIDENCE]

7 **EXAMINATION BY COMMISSIONER FLEMING:**

8 Q Do we have the dates of those pictures?

9 A I don't have the date. My husband and I were going out of town and we didn't
10 even hear an alarm, it was not going off that day, and my neighbor said '*there's*
11 *water running somewhere*', which caused us to go over there, and I happened
12 to have to my camera because I was going somewhere and taking pictures
13 for something else. I don't even think I can give you that date, but I think the
14 company probably has the date.

15 And I have to say, the company has been extremely good to me because
16 I'm a bit of a thorn in their side over the wellstation houses in the city, but
17 they've been extremely good to me, and every time I've asked them, they've
18 been very good about trying to help me with those things. I just see that this
19 equipment is really in disrepair, and I think you can see that in the pictures.
20 Water is coming out all over the place.

21
22 CHAIRMAN MITCHELL: Thank you, ma'am.

23 MR. MINGES: Representative Norman.

24 **WHEREUPON,** Ralph Norman, first being duly
25 sworn, assumes the stand and testifies as follows:

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TESTIMONY BY REPRESENTATIVE NORMAN:

A Ralph Norman, 907 Maple Hill Drive. I want to thank the Commission for coming up.

This has been probably a two-year battle since I've been in the Legislature to try to get something done. I can assure you, this room would be packed — and I know from River Hills compared from years ago, it would be packed, but people have pretty much got a helpless feeling that nothing is going to be done, and I can assure you I'm not going to bore you with going over — not only the price of the water, the service, the condition of the lines — God help somebody if a line breaks, as happened in River Hills, an \$800 bill, no consideration given. I know from the legislative end, twice we've gotten the entire 11-member delegation to sign petitions saying please don't grant an increase until a certified audit is done, not an overall audit — I think Carolina Water Systems has either four or six systems, the two in Columbia are just about defunct — and if you average it out, this system in York County is carrying the others. What we would ask is an individual audit — and we requested it through the General Assembly; we had all eleven members sign saying we need a breakdown of the income and expenses for just York County, and it was two sentences, it was the INCOME and the EXPENSES, no back-up — so I guess what we would ask the Commission to do is grant an audit just on York County's system, because I think what you'll find is, it's carrying all the other two systems that Carolina Water System has.

I've talked to other legislators in Columbia, and everybody's got the same opinion of Carolina Water System. I mean, they don't give service, the rates — as long as they can, we're going to see increase after increase after

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1 increase after increase. What I'd ask for is a decrease. I'd ask first for a
2 breakdown of INCOME and EXPENSES — because, folks, I can tell you, we've
3 had churches — really, we're at y'all's mercy, so what I would ask you to do—
4 this is just a small sampling — Tega Cay, we could fill up a football field of
5 complaints on Carolina Water System. Do they keep — I mean, do we all keep
6 dates, times? No, but I can assure you that there is a real problem here, and
7 I beg you to make them comply; let's break this system down — all the new
8 construction, the developers are putting the water and sewer lines in, they're
9 putting new lines in.

10 All we're asking for is to see the real numbers so that we can verify — I
11 think the last fellow that did the audit was from Florida — if we can, unless it's
12 a problem, let's get somebody locally so that these people can have some
13 relief, because I don't see any end to the increases because they're in a
14 business, they're going to get as much as they can get, but I think — I beg
15 you to listen to these people, and let's have an accounting of it, because there
16 shouldn't be any increase, there ought to be some decreases.

17 I'll be happy to answer any questions — and if there's any reason why
18 this system can't be broken down and not lump it in with the other four systems.

19 CHAIRMAN MITCHELL: The only thing, Repre-
20 sentative Norman, I would encourage all of you to visit
21 our website and you can follow what's transpired in the
22 last few weeks. I would certainly encourage you to visit
23 our website, and we put all documentation of every record
24 that's been made in this case, and I would certainly
25 encourage you to follow our website.

1 A And I guess at the last hearing, we at least had a system so that when a
2 complaint was filed, y'all would know about it. We appreciate that. And
3 probably the same thing with Tega Cay should be done, but again, we're at
4 y'all's mercy to help us help this group do something.

5 Thank you so much.

6 CHAIRMAN MITCHELL: Yes, sir, thank you. Any
7 questions?

8 [No Response]

9 MR. MINGES: Alina Howington, please.

10 **WHEREUPON, Alina Howington**, first being duly
11 sworn, assumes the stand and testifies as follows:

12 **TESTIMONY BY ALINA HOWINGTON:**

13 A My name is Alina Howington; I live on 3001 Point Clear Drive, and I feel that
14 the water quality is very poor, and I brought you proof. [Indicating pot] I used
15 this utensil that I used to water my plants with, and if you don't dry this every
16 day, this is what kind of — [INAUDIBLE] — you get from it. And I think that's
17 very, very bad, okay. Do you want to pass it around and let them see? I'd
18 like for you to see. That was from that. I used this to pour and water my
19 plants with, that's what it is. You can see — [INAUDIBLE] — and here they
20 want an increase. That's terrible.

21 CHAIRMAN MITCHELL: Thank you, ma'am. Do
22 we have any questions?

23 A I'll let you have the pot.

24 MR. MINGES: Is your address 3001?

25 A Pardon?

1 MR. MINGES: Is your address 3001?

2 A 3001 Point Clear Drive.

3 MR. MINGES: Okay, thank you.

4 CHAIRMAN MITCHELL: Thank you.

5 MR. MINGES: Will David Wolfe please come
6 forward?

7 **WHEREUPON, David Wolfe**, first being duly
8 sworn, assumes the stand and testifies as follows:

9 **TESTIMONY OF DAVID WOLFE:**

10 A David Wolfe, 1012 Palmyra Drive. I too want to thank you for allowing us to
11 speak tonight.

12 A quick comment on service. My water quality and pressure has been
13 adequate for the four years we've lived in Tega Cay. I too have had several
14 instances of faulty meter reading; the response from the company has been
15 good in correcting those several instances.

16 But my comments tonight and my complaints are from price. Four years
17 ago we moved from Charlotte-Mecklenburg where our combined water and
18 sewer bills were around \$35 a month — always less than \$40 a month — and
19 since we've lived in Tega Cay our bills have continued to climb, and now we're in
20 the range of up to \$100 a month. I have an example: my last month's bill was
21 \$105 a month. My neighbors around me report averages of \$70 a month. I
22 have a few more kids than they do, so I guess that's the reason.

23 I don't have irrigation, I have three low-flow, low-flush toilets, and my
24 basic question is why, and I was hoping to hear why Tega Cay Water is that
25 much more expensive. In doing a little bit of my own research, the average

1 citizen in Tega Cay with a national average use of 7500 gallons a month
2 would pay \$58 a month, \$58.42. The national average is \$41 — that's a 41%
3 increase. Tega Cay is 41% higher than the national average. That seems
4 excessive to me. That's not the kind of leading the nation that you want to be.
5 I admit that my analysis has not been audited, but I understand that neither
6 has Tega Cay Water System's.

7 [Laughter]

8 A And my reference there was a 2004 Raftelis survey along with American
9 Water Works Association, my numbers there.

10 And just a few other things. I did visit your website, and just a comment —
11 the text of the application just gave no good reasons for the increase. The
12 text was quite short for someone asking for such an impact to the residents.
13 They didn't have financial statements attached — which I'm not educated
14 enough to do that analysis — but they just didn't have a good summary
15 conclusion of why the increase was needed, so I guess it's up to you guys to
16 really look at the numbers hard.

17 And the last comment — they had a paid consult write you a report on
18 why they needed the increase, and one of the arguments of the consultant
19 was how small a system Tega Cay Water Service was. I just want to point
20 out the obvious: that Tega Cay Water Service is wholly owned by Utilities,
21 Incorporated, which is not a small system; they're a large company operating
22 in seventeen states with over 300,000 customers. And the argument was that
23 a small service needs a higher rate of return so that they can handle unplanned
24 significant events. I don't think it's fair to look at one of the smaller services
25 and not look at the parent company, as Representative Norman pointed out.

1 I also noticed that just a few months ago, Utilities, Incorporated, was
2 bought by a private equity fund; private equity funds operate much like hedge
3 funds. Obviously, the profit motive is their primary concern. So take all of those
4 things into consideration.

5 I do have these comments in writing, if you'd like them.

6 CHAIRMAN MITCHELL: First, I'd like to ask the
7 witness with the pot, we'd like to ask if you'd like to include
8 that as a Hearing Exhibit like the rest.

9 MS. HOWINGTON: Yes.

10 CHAIRMAN MITCHELL: We'll do that. The pot will
11 be Hearing Exhibit #3 and accepted into the evidence of
12 this case. Excuse me, Hearing Exhibit #4.

13 And if you'd like me to include your testimony
14 there as Hearing Exhibit #5, we'll be more than happy to
15 do that, without objection.

16 MR. WOLFE: Thank you.

17 [HEARING EXHIBITS #4 AND 5 ACCEPTED
18 INTO EVIDENCE]

19 CHAIRMAN MITCHELL: Commissioner Clyburn.

20 **EXAMINATION BY COMMISSIONER CLYBURN:**

21 Q Mr. Wolfe, I'd like to get clarity on one of the first things you said. You men-
22 tioned that you have, I guess, I don't want to say traditional family because I
23 don't know what that is, but anyway you do have children, so at this point your
24 average bill is \$105 a month. Did you say four years ago your bill was about
25 \$35?

1 A Yes, in Charlotte.

2 Q Oh, okay. I just wanted to get clarity on that. Four years ago you moved to
3 Fort Mill?

4 A That's right.

5 Q Tega Cay, I'm sorry.

6 A That included the storm water fee that Mecklenburg County charges that is not
7 charged in York County; it was about \$35.

8 Q Okay, I wanted to get clarity. You made that distinction, thank you.

9 MR. MINGES: Tom Fogerty, please.

10 **WHEREUPON, Tom Fogerty,** first being duly
11 sworn, assumes the stand and testifies as follows:

12 **TESTIMONY OF TOM FOGERTY:**

13 A Tom Fogerty, 11033 Seven Coves Drive, and it appears my neighbors have
14 covered pretty well the deficiencies of the product delivered. I'm approaching
15 this more from a business approach, and Representative Norman touched on
16 it briefly.

17 I reviewed the items submitted and I've seen no business case made
18 for a rate increase. I work in a competitive market; we don't have another
19 water company for you to go to. If I didn't like the price, I think I'd just go down to
20 the next guy to service me. We don't have the ability to do that; that's why we
21 have this Commission and all these folks going through this. If I wanted to do
22 a GRI — General Rate Increase — for my business, which is a large container
23 ship operator, we'd do a business analysis of that to determine why we want
24 to do that, what the viability of it is. These folks just have to pass this litmus
25 test, is all.

1 I didn't see any homework — what's your ROI — Rate of Return on
2 Investment? I don't know what that is. What are your profits? What are your
3 losses? If I don't pay my bill of \$100 this month, will somebody not get paid
4 because you don't have enough money to make payroll? None of this stuff
5 has been handed to us, and if I see no business case, I see nothing that
6 warrants us to pay these higher rates, because I don't have the other effort
7 that I can do, which is to go to the competition. That's been eliminated from
8 me. So without that option, they have to do their homework and provide a
9 good reason for this rationale. If they're too lazy to do that, maybe that's why
10 we have the poor quality product we've got. If they're unable to do that kind
11 of study, that kind of analysis, and that kind of presentation to us, then how
12 are they running the business?

13 I understand there's supposed to be an audit; guess who pays for that
14 audit? We do. I exchanged e-mails with the Commission, and they state that
15 any of those audits that come in will be at the cost of the customers, not by
16 the company. In my business we do audits all the time to determine are we
17 efficient, are we doing what we need to do, can we remain profitable. These
18 folks have no incentive; they don't even have to pay for their own internal audit to
19 determine if they're efficient or not. I'm surprised, let me put it that way.

20 And that's my statement. From a business standpoint, this makes no
21 case for anything, such as an increase.

22 CHAIRMAN MITCHELL: Do we have any questions?

23 Commissioner Clyburn?

24 **EXAMINATION BY COMMISSIONER CLYBURN:**

25 Q Again, you're coming from more, as you stated, a business case. Can you

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1 tell me a little bit about, in terms of your service — how long have you lived in
2 Tega Cay?

3 A Five years.

4 Q And in terms of the type of feedback that you've gotten so far, is that consistent
5 with the type of service you've got?

6 A Pretty much. We use — [INAUDIBLE] — to scrub out your toilet; if you don't
7 use it for a week and go on vacation, when you come back, it's black, and
8 that's from your water just sitting in the toilet, not even being used. And that's
9 Spic&Span cleaned when we go. And we're drinking that stuff.

10 Q Thank you.

11 CHAIRMAN MITCHELL: Any other questions?

12 [No Response]

13 CHAIRMAN MITCHELL: Thank you, sir. This is
14 all the witnesses that we have that have that are signed
15 up. Is there anyone else that would like to speak? We're
16 up here and certainly if anyone wants to say anything,
17 we're here to listen. Anyone else who would like to
18 speak at this time?

19 [No Response]

20 CHAIRMAN MITCHELL: If not, if we could remind
21 the people of the hearing date that will be in Columbia?

22 MR. MINGES: The merits hearing is August 22nd
23 and, again, that's at 101 Executive Center Drive in
24 Columbia, and the directions can be gotten off the PSC's
25 website, and that is www.psc.sc.gov.

1 CHAIRMAN MITCHELL: Yes, sir?

2 FROM THE AUDIENCE: What's the point of that
3 hearing compared with this one?

4 MR. MINGES: More testimony will be given —
5 and this is an opportunity for everybody to be heard, the
6 public to have an opportunity to air their views, and the
7 merits hearing will be another evidentiary hearing on the
8 process.

9 CHAIRMAN MITCHELL: Actually, sir, that's when
10 the company presents their case, and that is what he was
11 saying about the merits part; the company presents their
12 case to the Commissioners, and Commissioners can ask
13 questions, and the company will more or less prove their
14 case, along with the ORS and the parties involved.

15 FROM THE AUDIENCE: [INAUDIBLE]

16 CHAIRMAN MITCHELL: If you could come to the
17 microphone?

18 SPEAKER: The public can speak, but not those of
19 us who spoke tonight?

20 CHAIRMAN MITCHELL: Yes, sir, if any other
21 members of the public would like to speak, they're
22 certainly welcome.

23 So if we have no one else that would like to speak
24 tonight, we certainly thank each and every one of you for
25 coming out tonight, and certainly welcome you to our

1 hearing that is scheduled in Columbia. We thank you very
2 much.

3 At this time, we'll close this hearing.

4 [WHEREUPON, at approximately 8:00 P.M., the hearing
5 was recessed, to be resumed in Columbia on August 22nd]

6
7
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